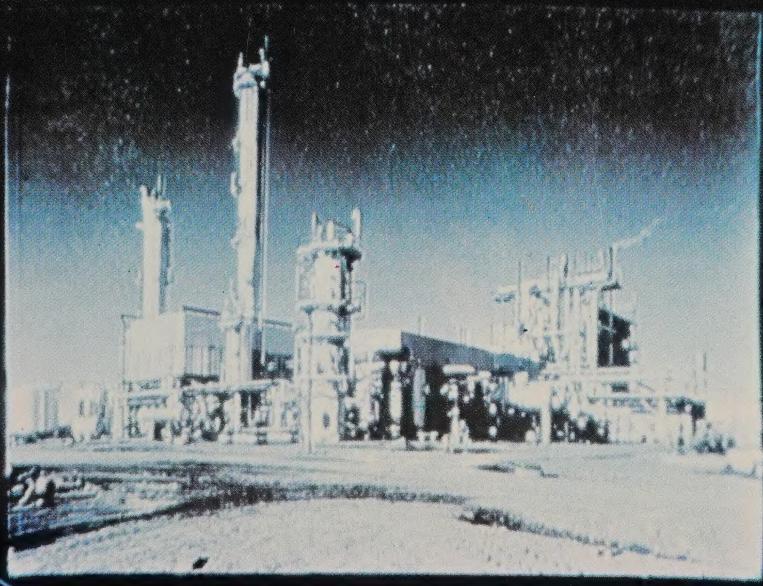
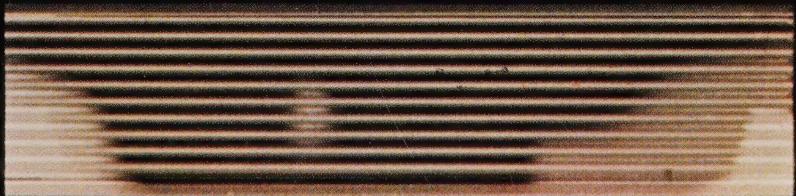


Allarco Developments Ltd./Annual Report 1974



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## Directors

Dr. Charles A. Allard - M.D., F.R.C.S. (C)

Zane Feldman

J. Cameron Allard

Morris Klimove

J. J. LoPorto

## Executive Officers

Charles A. Allard — President & Chairman of the Board

Zane Feldman — Vice-Chairman

J. Cameron Allard — Executive Vice-President

Morris Klimove — Vice-President — Restaurants

G. E. Arnell — Vice-President/Secretary

Arthur R. Smith — Vice-President — Corporate Affairs

J. R. Otteson — Treasurer/Comptroller

## Auditors

Peat, Marwick, Mitchell & Co.

## Stock Exchange Listings

Toronto Stock Exchange

## Registrars and Transfer Agents

North West Trust Company

Montreal Trust Company

## Trustees for Debentures

Montreal Trust Company

## Executive Offices

11456 Jasper Avenue Edmonton - Canada T5K 0M1

The cover of this year's annual report illustrates  
the two major undertakings of Allarco during 1974  
Alberta Gas Chemicals Ltd. and Edmonton Video Ltd.

## Divisions of Allarco Developments Ltd.

### REAL ESTATE

Rental Properties  
*Edmonton*  
 Grandin Towers      Oliver Place  
 Regency Towers      Bristol Towers  
 Crestview Towers    Cambrian Building  
  
*Calgary*  
 Regency House      Oakridge Shopping Centre  
  
*Vancouver*  
 Park Royal Towers  
  
*Victoria*  
 Regency Towers      Charter House  
  
*Winnipeg*  
 Regency Towers  
 Cumberland House (sold 1974)  
 Chamber of Commerce Buildings  
  
*Prince George, B.C.*  
 Fort George Hotel Ltd. (sold 1974)  
 Land for Development  
*Alberta*  
 Edmonton, Calgary  
 St. Albert  
 Fort McMurray  
  
*British Columbia*  
 Pacific & Burrard — Vancouver  
  
*Ontario*  
 Hamilton/Ancaster  
  
*Other*  
 Puerto Vallarta, Mexico  
 Las Vegas, Nevada

### RESTAURANTS

Oliver's, Edmonton, Winnipeg, Calgary  
 Beachcomber, Edmonton, Victoria  
 Steak Loft, Edmonton  
 Lucifer's, Calgary

### HOTELS

Peter Pond Hotel      Fort McMurray, Alberta  
 Pine Point Hotel      Pine Point, N.W.T.

### AUTOMOTIVE DIVISION

*Edmonton*  
 Crosstown Motor City  
 Crosstown Recreational Vehicle Centre  
 Devonian Motors      Crosstown Leasing  
 Mansion Mobile Homes    Columbia Insurance Services

### FINANCIAL

Allarco Financial Corporation Ltd.  
 North West Trust Company  
 N.A. Properties Ltd.  
 People's Management Ltd.  
 (Manager of The Dominion Compound Fund)  
 Seaboard Life Insurance Company

### CONSTRUCTION

Redden Construction (1970) Ltd.  
 Redden Holdings Ltd.  
 Citation Construction Ltd.  
 Coronation Construction Ltd.

### AVIATION

International Jet Air Ltd.

### OTHER DIVISIONS

*Printing*  
 Metropolitan Printing, Edmonton  
  
*Farm Division*  
 Falher, Alberta  
 Bruderheim, Alberta  
  
*Television*  
 Edmonton Video Ltd-C.I.T.V.,  
 Northwest Productions Ltd.

### AFFILIATED COMPANIES

Alberta Gas Chemicals Ltd.  
 Parkland Nursing Homes Ltd.  
 Matrix Exploration Ltd.

## Historic Review

(In Thousands)*	Two Months							
	Year to December		Dec.		Year to October			
	1974	1973	1972	1972	1971	1970	1969	1968
Sales*	\$59,327	47,533	7,364	44,585	38,939	38,191	28,910	25,174
Operating profit*	\$ 1,482	997	90	1,191	440	960	538	398
Gain (or loss) on disposal of fixed assets and investments*	\$ 7	1,666	1,053	1,226	(971)	—	—	—
Net profit (loss) for the period*	\$ 1,489	2,664	1,143	2,417	(530)	960	538	398
Operating profit per share	\$ 1.07	.72	.06	.89	.33	.74	.47	.40
Net profit (loss) per share	\$ 1.08	1.93	.83	1.80	(19)	.74	.74	.40
Average shares outstanding*	1,380	1,380	1,379	1,339	1,329	1,306	1,146	1,000
Shareholders' equity*	\$14,108	12,616	9,949	8,806	6,168	6,540	5,446	1,819

# Report to the Shareholders

On behalf of your Board of Directors I am pleased to present the 1974 annual report for the year ended December 31, 1974. Net operating profit for the year was up from \$998,000 or 72¢ per share to \$1,482,000 or \$1.07 per share. In general, 1974 was an important year for Allarco because of new long term projects such as our entry into the petrochemical field with world scale plants and the addition of a new television station to serve the Edmonton market.

## *Automotive Division*

Crosstown Motors showed a slight decline in overall profits even though the dealership has earned the distinction of being the largest Chrysler dealer in Canada.

Devonian Motors, franchise dealers for American Motors, Volvo, Fiat and Jeep showed excellent growth with increased sales and improved profits. The decline in profits at Crosstown Motors was nearly offset by the increase at Devonian Motors.

## *Restaurant and Hotel Division*

Sales for this division increased by 33% totalling almost eight million dollars, resulting in larger profits. The Calgary "Oliver's" Restaurant was opened in April of 1974 and is expected to contribute to the profits for this division in 1975. Oliver's Restaurant in Edmonton was expanded during the year and the expanded premises have been well received.

## *Real Estate Division*

Sales in this division increased from \$5,278,000 in 1973 to \$7,726,000 in 1974, resulting in a divisional profit of \$2,525,000. Included in these sales was a 100 acre parcel of land at St. Albert which was sold during 1974 and is reflected in the year end statement. In the latter part of 1974 a sale was arranged for a further 700 acres in St. Albert which will be taken into income over the next nine years. This sale is largely reflected under loans and agreements receivable and deferred revenue.

## *Printing Division*

Metropolitan Printing had a good year with an increase in sales and a divisional profit of \$100,000. This division is expanding into the continuous forms market. New equipment and additional premises have been acquired to accommodate the expansion.

## *Redden Construction (1970) Ltd.*

This company recorded the highest sales ever. While severe shortages of building materials and labour added substantially to the costs, the profit margins were improved over 1973.

## *Financial Division*

North West Trust Company has had the best operating profit in its history and the net profit of Seaboard Life Insurance Company almost doubled from the previous year. The two profits from these companies resulted in an equity gain in Allarco's earnings of \$214,000 for the year.

## *Alberta Gas Chemicals Ltd.*

The first 600 ton per day unit of the methanol facility at Medicine Hat has gone on stream subsequent to the year end and as of this report the plant has reached capacity and in fact has exceeded its designed capacity. The second 600 ton unit appears to be progressing well and should meet the on stream date of October 1975.

Alberta Gas Chemicals Ltd. and its subsidiaries were active in the resale of methanol both in Canada and the United States and as a result of these transactions a consolidated net profit for Alberta Gas Chemicals in the amount of \$712,000 was earned. Allarco's share of this profit has been reflected as equity in earnings of unconsolidated subsidiaries.

## *Television*

C.I.T.V. went on the air as scheduled on September 1st, 1974, in spite of shortages of materials, equipment and labour during construction. As expected, this division showed an operating loss for 1974 but is expected to contribute to profits during 1975. All the pre-on-air costs have been written off in 1974 rather than deferring them against future profits.

## *International Jet Air*

During the year a decision was made to stop scheduled operations from Whitehorse to Inuvik. This decision was made because no decision has been forthcoming from the Air Transport Committee on the company's application to extend its services from Inuvik to Calgary. As of this writing the decision has still not been made in spite of the fact that the application was made almost two years ago. The company has completed arrangements to begin inclusive tour operations in the North American market, which is the first time that the necessary permits have been obtained to allow this service. During 1975 the results of this new tour operation will have a substantial effect on the future of Jet Air. Unless this type of charter operation is successful, in addition to the charter operation that the company carries on to serve the oil exploration industry in the Arctic, then the future of the company must remain in doubt as the difficulties in obtaining viable licenses from the Air Transport Committee are almost unbelievable in a country that is supposed to be dedicated to the idea of providing competitive services as the best way of serving its people.

*Exploration*

As of this writing the deep test well which was drilled on farmout lands southwest of Grande Prairie in the area known as Sherman Flats has been abandoned. The well was drilled to a total depth of 18,000 feet and appears to have confirmed the fact that the leases in Allarco's name are located on a large "Middle-East" type anticline, which appears to be in a location which could still be very productive of hydrocarbons. During 1975 it is probable that a second well will be drilled at a site which can be more scientifically located than the first test site.

*Personnel*

During the year Mr. Justice G.A.C. Steer was appointed to the Alberta Supreme Court necessitating his resignation as a Director of Allarco Developments Ltd. On behalf of all the shareholders I have extended our grateful thanks to Mr. Justice Steer for his great contribution to the Company in the past with our best wishes for his undoubted success in his new and important role.

To all the directors and personnel of Allarco Developments and its subsidiary companies on your behalf I extend our grateful thanks.

Respectfully submitted

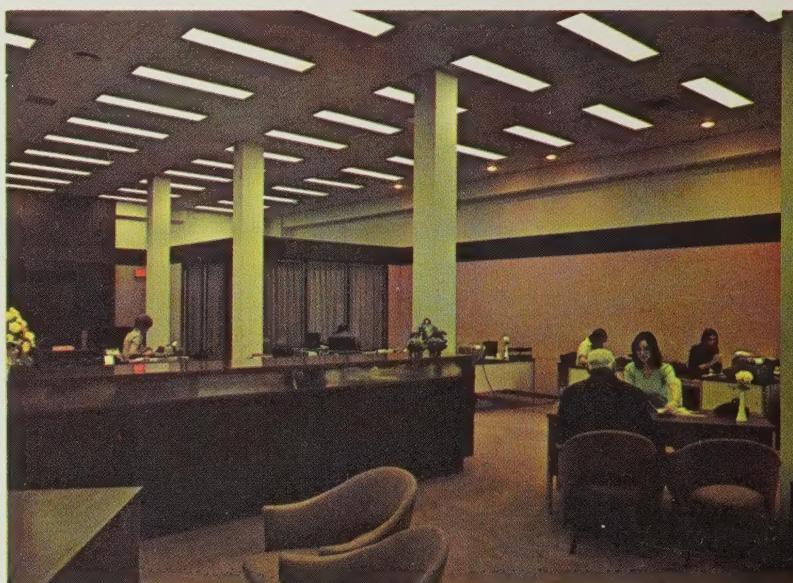
*Charles A. Allard*

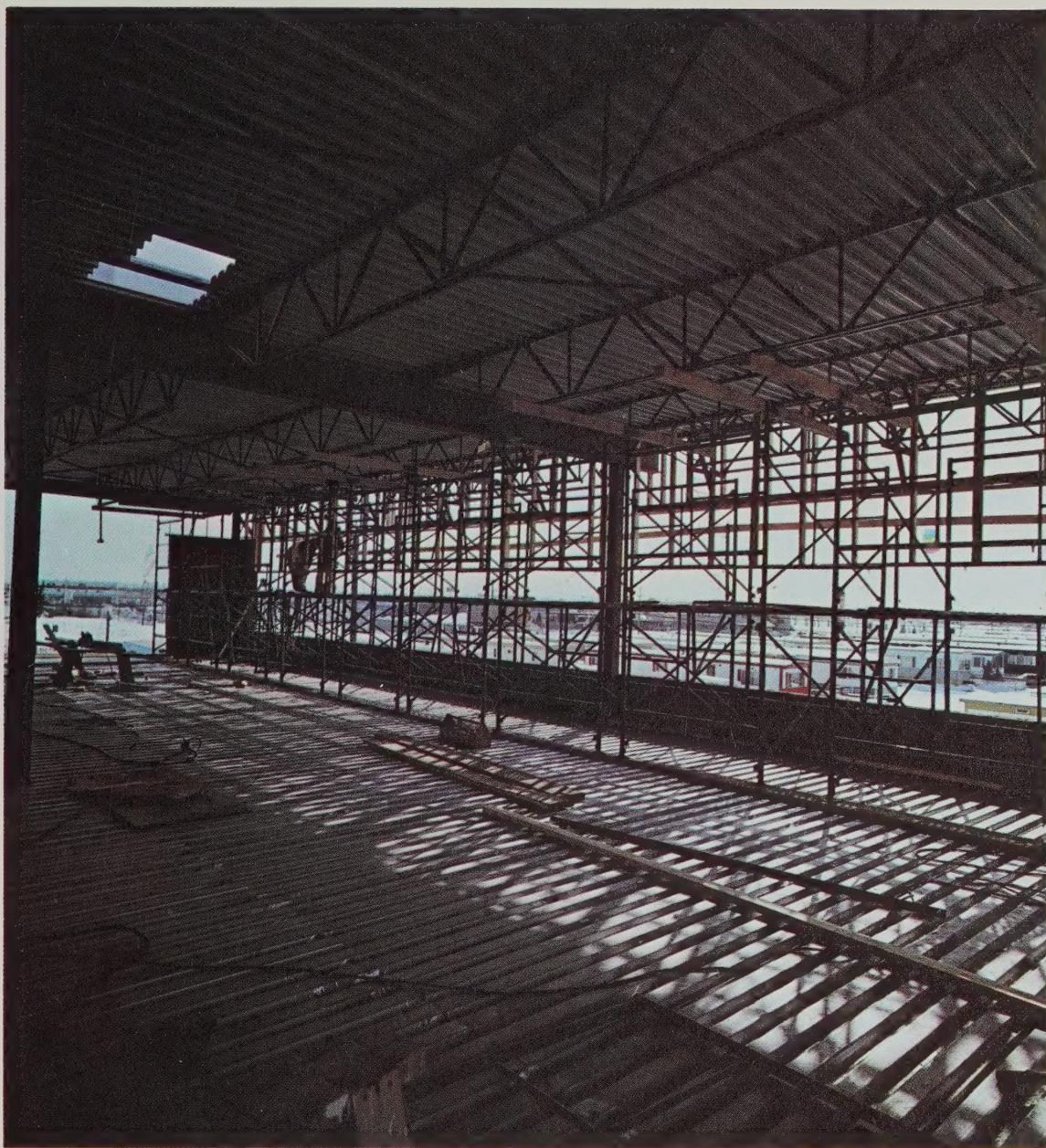
Dr. Charles A. Allard

March 6, 1975

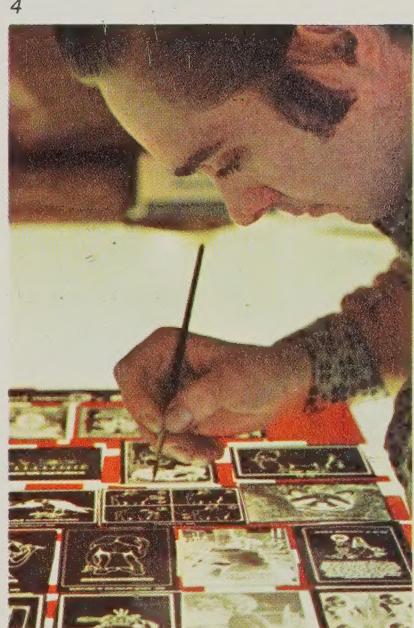


- 1 Methanol Plant No. 1 Medicine Hat 'on stream' February 1975
- 2 North West Trust — head office Edmonton
- 3 Construction work on a shopping center by Redden Construction (1970) Ltd.
- 4 Metropolitan Printing — provide the skills necessary in today's competitive market.
- 5 Crosstown Motor City, Edmonton — the largest Chrysler dealer in Canada
- 6 A modern car wash — one of Crosstown's many service facilities





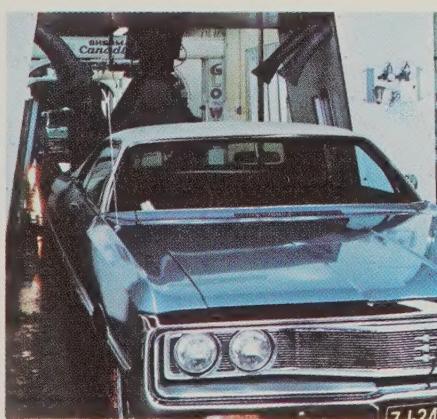
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- 1 Oliver's Calgary, opened in 1974
- 2 Bristol Towers, Edmonton — owned by Allarco, managed by North West Trust
- 3 Tops in entertainment provided for its' viewers by CITV
- 4 The Calgary facilities of International Jet Air Ltd.
- 5 The home of CITV
- 6 Mrs. Charles A. Allard officially 'turns on' CITV September 1st, 1974

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# Consolidated Balance Sheet

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES /December 31, 1974

	1974	1973
<b>ASSETS</b>		
Cash	\$ 326,952	119,778
Accounts receivable	6,229,180	4,441,157
Inventories, at lower of cost or net realizable value	11,792,736	8,200,853
Prepaid expenses	1,790,439	400,359
Loans and agreements receivable (note 2)	10,042,195	739,483
Land for development, at cost (note 3)	6,114,521	9,703,282
Natural resources, at cost	114,903	107,260
Investments (note 4)	12,101,987	9,231,183
Fixed assets, at cost less depreciation (note 5)	43,756,904	36,847,204
Deferred assets and goodwill (note 6)	993,342	1,106,771

See accompanying notes.

On behalf of the Board:

*Charles A. Allard* Director

*Jane Feldman* Director

\$ 93,263,159 70,897,330

	1974	1973
<b>LIABILITIES</b>		
Bank advances, secured (note 7)	\$ 11,050,132	6,308,312
Accounts payable, secured	7,264,171	4,398,238
Other accounts payable and accrued liabilities	9,792,236	7,684,997
Income tax payable	99,379	5,577
7% Convertible debentures (note 8)	4,804,000	4,955,000
Mortgages and other secured obligations (note 9)	32,227,611	28,533,838
Amount owing to unconsolidated subsidiary, secured (note 9)	1,173,406	1,422,506
	<hr/>	<hr/>
	66,410,935	53,308,468
 Minority interest in subsidiaries	 148,783	 108,745
Provision for future income taxes (note 10)	4,234,792	3,541,324
Deferred revenue (note 11)	8,360,282	1,322,202
 Shareholders' equity:	 <hr/>	 <hr/>
Capital stock (note 12):		
Issued and fully paid	3,978,158	3,975,958
Retained earnings	10,130,209	8,640,633
	<hr/>	<hr/>
	14,108,367	12,616,591
	<hr/>	<hr/>
	\$ 93,263,159	70,897,330

# Consolidated Statement of Changes in Financial Position

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES /For the year ended December 31, 1974

	1974	1973
<b>SOURCE OF CASH:</b>		
Net profit	\$ 1,489,576	2,664,438
Add items not requiring a cash outlay:		
Depreciation and amortization	1,366,404	1,148,073
Deferred income taxes	710,207	1,289,192
Minority shareholders' interest	40,029	35,553
Investments written off	182,318	130,000
Cost of land sold	949,309	558,727
Revenue deferred, less amounts not received (notes 2 and 11)	198,517	257,834
Equity in earnings of subsidiary companies	(570,147)	(136,603)
Other	(117,807)	—
	<hr/> 4,248,406	5,947,214
Increase in bank advances	4,741,820	1,599,782
Increase in accounts payable	5,050,235	2,196,894
Issue of mortgages and notes payable	14,835,641	4,833,931
Disposal of fixed assets	6,103,905	8,238,810
Issue of capital stock	2,200	2,200
	<hr/> 34,982,207	22,818,831
<b>APPLICATION OF CASH:</b>		
Increase in loans, agreements and accounts receivable, less agreement for sale of \$9,342,700 (note 2)	1,748,035	511,770
Increase in inventories and prepaids	4,981,963	2,174,955
Land purchased and expenses capitalized	596,756	2,150,258
Investments in and advances to affiliates	2,474,975	2,631,296
Additions to fixed assets	13,415,693	6,712,284
Payments on mortgages and notes payable	11,390,968	9,042,553
Other assets acquired	15,643	—
Debentures redeemed	151,000	45,000
	<hr/> 34,775,033	23,268,116
 Increase (decrease) in cash	 <hr/> \$ 207,174	 <hr/> (449,285)

See accompanying notes.

# Consolidated Statement of Operations

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES /For the year ended December 31, 1974

	1974	1973
Sales (note 14)	\$ 59,327,743	47,533,548
Cost of sales, operating expenses and interest	55,344,637	43,905,075
Divisional profits (note 14)	<u>3,983,106</u>	<u>3,628,473</u>
Head office expense	474,670	373,095
Debenture interest	339,339	347,972
	<u>814,009</u>	<u>721,067</u>
Net profit before the undernoted	<u>3,169,097</u>	<u>2,907,406</u>
Depreciation	1,366,404	1,148,073
Income taxes — currently payable	140,527	24,223
— future	710,207	838,501
Minority shareholders' interest	<u>40,029</u>	<u>35,553</u>
	<u>2,257,167</u>	<u>2,046,350</u>
	<u>911,930</u>	<u>861,056</u>
Equity in earnings of unconsolidated subsidiary and affiliated companies (note 4)	<u>570,147</u>	<u>136,603</u>
Operating profit	<u>1,482,077</u>	<u>997,659</u>
Gain on disposal of fixed assets and investments	<u>7,499</u>	<u>1,666,779</u>
Net profit for the year	<u><u>\$ 1,489,576</u></u>	<u><u>2,664,438</u></u>
Operating profit per share — basic	\$ 1.07	\$ .72
Net profit per share — basic	\$ 1.08	\$ 1.93
— fully diluted	\$ .96	\$ 1.59

See accompanying notes.

# Consolidated Statement of Retained Earnings

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES /For the year ended December 31, 1974

	1974	1973
Balance, beginning of year:		
As previously reported	\$ 8,640,633	6,974,561
Deduct:		
Adjustment of prior years' income taxes	—	723,366
Provision for settlement of prior year's claim with respect to Southern Petrochemical Corporation, net of income taxes of \$275,000	—	275,000
As restated	<b>8,640,633</b>	5,976,195
Net profit for the year	<b>1,489,576</b>	2,664,438
Balance, end of year	<b>\$ 10,130,209</b>	8,640,633

See accompanying notes.

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Allarco Developments Ltd. and subsidiaries as of December 31, 1974, and the consolidated statements of operations, retained earnings and changes in financial position for the year ended December 31, 1974. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated statements present fairly the financial position of the company and subsidiaries at December 31, 1974 and the results of their operations and changes in their financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change by a subsidiary company in the method of accounting for bond transactions as described in note 4 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

Edmonton, Alberta  
March 21, 1975

# Notes to Consolidated Financial Statements

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES

## 1. SIGNIFICANT ACCOUNTING POLICIES:

(a) The consolidated financial statements include the accounts of all subsidiary companies except those of Allarco Financial Corporation Ltd. (formerly North West Investments Company Ltd.), which because of the fiduciary nature of the asset has been included using the equity method of accounting. Certain affiliated companies, in which Allarco owns a 50% interest have been included using the equity method of accounting. All significant intercompany transactions have been eliminated.

(b) Inventories have been valued at the lower of cost or net realizable value.

(c) Land for development is stated at original purchase price plus carrying charges, which include interest and real estate taxes pertaining to specific properties. Gains or losses are generally recorded in the accounts in the year of disposal, except for those cases when a significant portion of the proceeds has not been received. Under such circumstances, a reasonable portion of the gain is deferred and recorded as income when the proceeds are received. The company's policy is to account for investments in real estate joint ventures on the equity method in the balance sheet and the proportionate line-by-line method in the statement of operations.

(d) The companies' depreciation policy is:  
Buildings — 5% - 50 year sinking fund method  
Automotive equipment — 20% to 30% straight-line method  
Aircraft — 8 1/3% straight-line method  
Office, television and shop equipment — 7 1/2% straight-line method

(e) Goodwill is being amortized at the rate of 5% of cost per annum on a straight-line basis.

(f) The company follows the tax allocation method of providing for income taxes. Under this method timing differences between reported and taxable income (which occur when revenue and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred taxes. In the case of two subsidiaries, future tax recoveries have been recognized in the accounts in loss years because in the opinion of management, it is virtually certain that future earnings will be sufficient to realize them.

## 2. LOANS AND AGREEMENTS RECEIVABLE:

Included in loans and agreements receivable are amounts due from directors and officers of \$316,513 (1973 - \$259,085). These include two non-interest bearing notes of \$18,000 and \$220,000 due in 1982. The \$220,000 note was received in 1972 in payment of 40,000 common shares acquired from the treasury of the company.

Also included is a non-interest bearing agreement for sale in the amount of \$9,342,700 which arose in 1974 from a sale of land. The amount is receivable in annual payments over a maximum period of nine years, and may be accelerated at the buyer's option (see note 11).

## 3. LAND FOR DEVELOPMENT:

	1974	1973
Opening balance	\$ 9,703,282	7,577,217
Acquisitions	49,081	1,799,233
Transfer from deferred assets	—	556,480
Carrying costs and local improvements	547,675	496,315
	10,300,038	10,429,245
Less land — sold	3,452,446	558,727
— transferred to fixed assets	733,071	167,236
	\$ 6,114,521	9,703,282

Included in this category is one parcel of long-term leasehold land located in Vancouver, British Columbia.

Land for development at December 31, 1974 with a cost of \$4,081,494 was appraised by Jellis Appraisal Co. Ltd. in November, 1973, at \$8,100,000.

The balance of the land with a cost of \$2,033,027 has not been appraised. The total amount of the appraised land value together with the carrying value of the unappraised land is \$10,133,027. Had the appraisal been recorded in the accounts of the company, it would have resulted in an appraisal surplus of \$4,018,506.

4. INVESTMENTS:

	1974	1973
Shares, on equity basis:		
Unconsolidated subsidiary — Allarco Financial Corporation Ltd.	\$ 3,519,114	3,304,967
Affiliated company — Alberta Gas Chemicals Ltd.	856,000	500,000
Other	58,319	291,619
	<u>4,433,433</u>	<u>4,096,586</u>
Advances:		
Unconsolidated subsidiary	—	1,024
Affiliated company	2,688,493	1,039,997
Joint ventures	4,980,061	4,093,576
	<u>7,668,554</u>	<u>5,134,597</u>
	<u>\$ 12,101,987</u>	<u>9,231,183</u>

The assets of Allarco Financial Corporation Ltd. (formerly North West Investments Company Ltd.) are:

	Number of Shares	Percentage of Ownership
North West Trust Company:		
—Common shares	232,855	90.3%
—First preferred participating shares	35,931	17.4%
—(combined share of equity in earnings is 57.8%)		
Seaboard Life Insurance Company:		
—Common shares	343,776	63.7%
People's Management Ltd.:		
—Common shares	1,000	100.0%

The company owns 500,000 common shares of Alberta Gas Chemicals Ltd. representing 50% ownership.

The equity in earnings of the unconsolidated subsidiary and the affiliated companies are:

	1974	1973
Allarco Financial Corporation Ltd.	\$ 214,147	106,745
Alberta Gas Chemicals Ltd.	356,000	—
Other	—	29,858
	<u>\$ 570,147</u>	<u>136,603</u>

During 1974, North West Trust Company adopted the "deferral and amortization" method for accounting for the differences between the sale price and the carrying value of bonds sold. At December 31, 1974 losses deferred under this method as they relate to Allarco's equity share amounted to \$240,000.

5. FIXED ASSETS:

Property, plant and equipment, at cost less accumulated depreciation:

	1974	1973
Automotive	\$ 5,088,148	4,834,936
Hotel and restaurants	5,722,054	4,982,355
Real estate	21,564,523	21,006,207
Aviation (including aircraft)	3,664,820	4,402,242
Television	5,880,249	—
Other	<u>1,837,110</u>	<u>1,621,464</u>
	<u>\$ 43,756,904</u>	<u>36,847,204</u>

Accumulated depreciation totalled \$4,710,046 at December 31, 1974; \$3,911,312 at December 31, 1973.

Five buildings with a total cost of \$7,995,811, are located on land held under long-term leases, each of which have an unexpired term of at least 44 years. The lease obligations on these properties for each of the next five years amount to \$113,566.

6. OTHER ASSETS, AT COST LESS AMORTIZATION:

	1974	1973
Pre-opening expenses	\$ —	34,832
Goodwill on acquisition of subsidiaries	680,892	715,215
Deferred development expenses	312,450	356,724
	<b>\$ 993,342</b>	<b>1,106,771</b>

During the year ended December 31, 1974 goodwill of \$35,350 (1973 - \$35,350) was amortized and included in depreciation and amortization.

7. BANK ADVANCES:

Bank advances are secured by a general assignment of book debts, and a fixed and floating charge debenture payable on demand.

8. 7% CONVERTIBLE SINKING FUND DEBENTURE SERIES A:

Pursuant to the Trust Indenture, dated May 2, 1969, the company covenanted to establish a sinking fund, for the retirement of these Series A Debentures by payments of \$175,000 each year from 1975 to 1987 inclusive with the balance of \$2,550,000 payable at maturity. The Debentures are dated June 1, 1969 and will mature June 1, 1989; they are secured by a first floating charge on all of the company's assets. Each \$1,000 Debenture is convertible at the holder's option, until maturity, into 65 fully paid non-assessable common shares of no par value. At December 31, 1974, the company holds \$21,000 of such debentures in anticipation of sinking fund requirements.

9. MORTGAGES AND OTHER OBLIGATIONS:

Mortgages and other secured obligations together with secured amounts owing to the unconsolidated subsidiary carry an average interest rate of 8.55% and mature between 1975 and 2001. Principal payments due in the next five years are:

1975	\$ 3,700,205	1976	\$ 2,689,906	1977	\$ 2,544,289	1978	\$ 2,478,333	1979	\$ 2,347,562
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10. INCOME TAXES:

The company has been reassessed in the amount of \$1,600,000 in connection with prior years' income tax returns, principally with respect to gains arising from the disposition of certain investment properties and to losses on loans. The company intends to resist these reassessments. Based upon the facts known to the company and its legal counsel, it is the opinion of counsel that the company has a reasonable likelihood of succeeding against these reassessments.

11. DEFERRED REVENUE:

Deferred revenue principally consists of \$6,839,563, which arose in 1974 from a sale of land whereby title to the land will be transferred pro rata as payments are received. The maximum period over which payments will be received is nine years, but this may be accelerated at the buyer's option.

12. CAPITAL STOCK:

The authorized capital is 3,500,000 common shares without nominal or par value issuable for a maximum consideration not to exceed \$10,000,000. The issued and fully paid common shares are as follows:

	1974		1973	
	Number of Shares	Value Received	Number of Shares	Value Received
Opening balance	1,380,188	\$ 3,975,958	1,379,788	\$ 3,973,758
Shares issued for cash	400	2,200	400	2,200
	1,380,588	\$ 3,978,158	1,380,188	\$ 3,975,958

The company has granted options to purchase shares, which expire at varying dates up to April 6, 1978 to directors (10,000) and to employees (18,200); 23,200 shares at \$5.50 per share and 5,000 shares at \$7.37 per share. The company has reserved 312,260 shares for conversion of debentures.

13. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS:

	1974	1973
Paid by Allarco Developments Ltd.	\$ 200,291	186,000
Paid by Subsidiary	52,000	12,000
	<b>\$ 252,291</b>	<b>198,000</b>

14. SALES AND DIVISIONAL PROFITS (IN THOUSANDS OF DOLLARS):

	1974		1973	
	Sales	Divisional Profit	Sales	Divisional Profit
Automotive	\$ 28,000	924	20,916	995
Restaurants	7,970	1,172	5,989	1,150
Real estate	7,726	2,525	5,277	540
Aviation	4,550	(595)	4,915	82
Television	1,884	(598)	—	—
Construction	6,631	145	10,436	861
Other	2,566	410		
	\$ 59,327	3,983	47,533	3,628

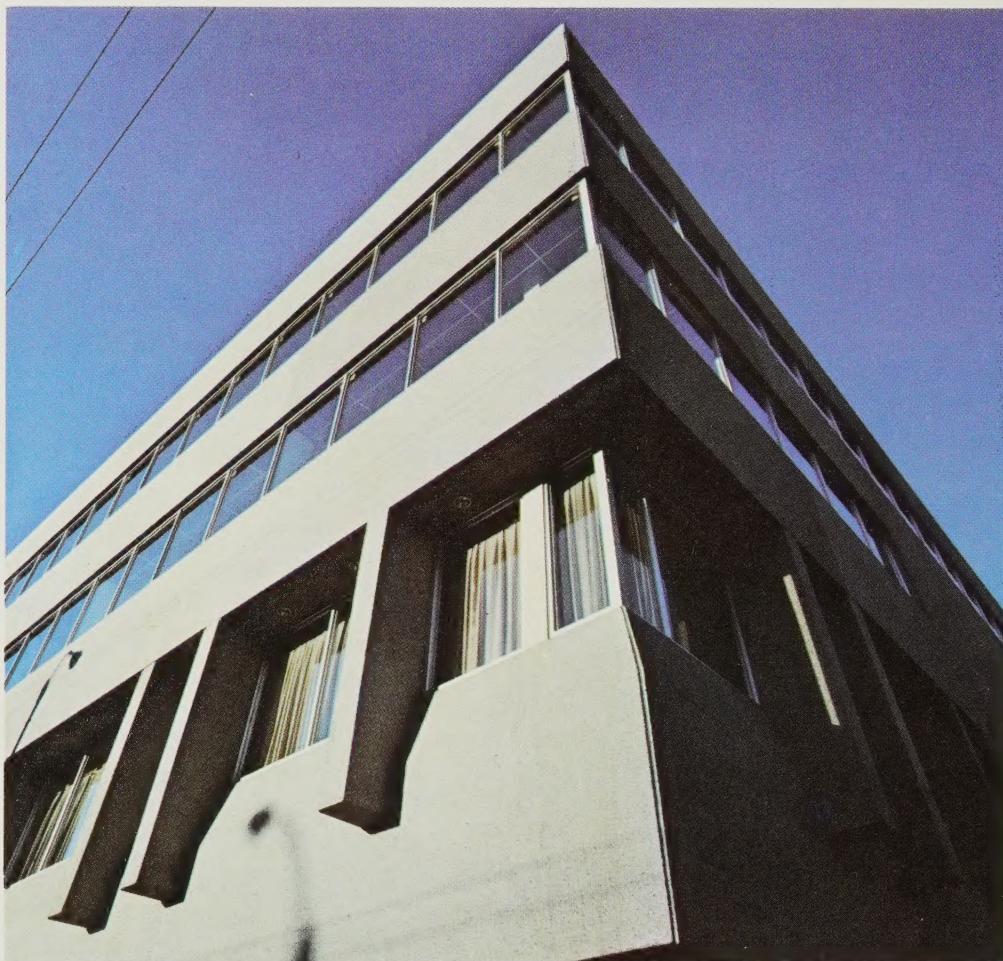
Interest on long-term debt included in cost of sales in the statement of operations amounted to \$3,332,911 (1973 - \$2,399,501).

15. COMMITMENTS AND CONTINGENCIES:

At December 31, 1974, the company is contingently liable as an endorser of customers' secured notes arising from retail sales in the automotive division for the amount of \$2,583,096 and as a guarantor of a mortgage payable of \$788,000.

Alberta Gas Chemicals Ltd. is constructing, and will own and operate, two methanol plants at Medicine Hat, Alberta, at an estimated cost of \$40,000,000. Interim and term financing of \$32,700,000 has been arranged, and the company and other shareholder of Alberta Gas Chemicals Ltd. have jointly and severally guaranteed \$14,700,000 of this amount.

The company has entered into four joint venture agreements to develop land and is contingently liable on mortgages for a total of \$3,490,000 over a period of years. Any payments which might be necessary would improve the company's secured position in regard to the land.



head office of Allarco Developments Ltd.

allarm  
DEVELOPMENTS LTD.

